SOUTHWEST GAS CORP
Form 10-Q
May 09, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	88-0085720 (I.R.S. Employer Identification No.)
5241 Spring Mountain Road Post Office Box 98510 Las Vegas, Nevada (Address of principal executive offices)	89193-8510 (Zip Code)

Registrant's telephone number, including area code: (702) 876-7237

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer", "non-accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer X	Accelerated filer	Non-accelerated filer	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, $1 Par Value, 43,276,994 shares as of May 1, 2008.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Thousands of dollars, except par value)
(Unaudited)

	MARCH 31, 2008	DECEMBER 31, 2007
ASSETS		
Utility plant:		
Gas plant	$ 4,089,020	$ 4,043,936
Less: accumulated depreciation	(1,281,420)	(1,261,867)
Acquisition adjustments, net	1,767	1,812
Construction work in progress	57,233	61,419
Net utility plant	2,866,600	2,845,300
Other property and investments	139,305	143,097
Current assets:		
Cash and cash equivalents	17,409	31,991
Accounts receivable, net of allowances	222,322	203,660
Accrued utility revenue	44,900	74,900
Income taxes receivable, net	-	14,286
Deferred income taxes	17,260	6,965
Deferred purchased gas costs	12,634	33,946
Prepaids and other current assets	86,675	136,711
Total current assets	401,200	502,459
Deferred charges and other assets	178,511	179,332
Total assets	$ 3,585,616	$ 3,670,188
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, $1 par (authorized - 60,000,000 shares; issued and outstanding - 43,160,094 and 42,805,706 shares)	$ 44,790	$ 44,436
Additional paid-in capital	741,455	732,319
Accumulated other comprehensive income (loss), net	(12,648)	(12,850)
Retained earnings	259,157	219,768
Total equity	1,032,754	983,673
Subordinated debentures due to Southwest Gas Capital II	100,000	100,000
Long-term debt, less current maturities	1,163,616	1,266,067
Total capitalization	2,296,370	2,349,740
Current liabilities:		
Current maturities of long-term debt	37,334	38,079
Short-term debt	-	9,000
Accounts payable	150,671	220,731

Customer deposits	76,861	75,019
Income taxes payable	5,427	-
Accrued general taxes	66,841	44,637
Accrued interest	20,538	21,290
Deferred purchased gas costs	28,770	46,088
Other current liabilities	84,888	73,088
Total current liabilities	471,330	527,932
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	362,727	347,497
Taxes payable	4,194	4,387
Accumulated removal costs	152,000	146,000
Other deferred credits	298,995	294,632
Total deferred income taxes and other credits	817,916	792,516
Total capitalization and liabilities	$ 3,585,616	$ 3,670,188

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	2008	2007	2008	2007
Operating revenues:				
Gas operating revenues	$ 741,300	$ 727,015	$ 1,829,051	$ 1,846,267
Construction revenues	72,307	66,701	342,928	295,266
Total operating revenues	813,607	793,716	2,171,979	2,141,533
Operating expenses:				
Net cost of gas sold	500,699	494,211	1,092,682	1,130,702
Operations and maintenance	85,206	84,535	331,879	326,951
Depreciation and amortization	47,270	44,622	185,162	172,907
Taxes other than income taxes	10,194	10,467	37,280	34,844
Construction expenses	66,258	58,993	301,297	255,384
Total operating expenses	709,627	692,828	1,948,300	1,920,788
Operating income	103,980	100,888	223,679	220,745
Other income and (expenses):				
Net interest deductions	(21,868)	(21,503)	(88,837)	(86,506)
Net interest deductions on subordinated debentures	(1,932)	(1,931)	(7,728)	(7,724)
Other income (deductions)	(762)	1,857	4,017	12,438
Total other income and (expenses)	(24,562)	(21,577)	(92,548)	(81,792)
Income before income taxes	79,418	79,311	131,131	138,953
Income tax expense	30,266	29,547	48,497	49,509
Net income	$ 49,152	$ 49,764	$ 82,634	$ 89,444
Basic earnings per share	$ 1.14	$ 1.19	$ 1.94	$ 2.17
Diluted earnings per share	$ 1.14	$ 1.17	$ 1.92	$ 2.15
Dividends declared per share	$ 0.225	$ 0.215	$ 0.87	$ 0.83
Average number of common shares outstanding	43,012	41,979	42,592	41,179
Average shares outstanding (assuming dilution)	43,290	42,376	42,940	41,599

The accompanying notes are an integral part of these statements.

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SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of dollars)
(Unaudited)

	THREE MONTHS ENDED MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	2008	2007	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	$ 49,152	$ 49,764	$ 82,634	$ 89,444
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	47,270	44,622	185,162	172,907
Deferred income taxes	4,811	(4,622)	25,501	(23,172)
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	(18,662)	(7,500)	11,106	(18,340)
Accrued utility revenue	30,000	31,300	(2,900)	7,600
Deferred purchased gas costs	3,994	14,956	78,187	58,720
Accounts payable	(70,060)	(74,609)	(40,459)	53,687
Accrued taxes	41,724	54,104	(28,917)	39,985
Other current assets and liabilities	62,441	78,888	8,525	37,345
Other	1,472	(507)	(5,282)	(7,876)
Net cash provided by operating activities	152,142	186,396	313,557	410,300
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(61,100)	(83,769)	(318,206)	(363,892)
Other	6,526	7,466	8,000	31,772
Net cash used in investing activities	(54,574)	(76,303)	(310,206)	(332,120)
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	9,490	9,666	34,921	70,645
Dividends paid	(9,254)	(8,609)	(36,916)	(34,012)
Issuance of long-term debt	78	5,473	123,199	78,823
Retirement of long-term debt	(3,464)	(2,411)	(143,144)	(84,505)
Change in long-term portion of credit facility	(100,000)	(78,989)	(18,011)	(68,989)
Change in short-term debt	(9,000)	-	-	-
Net cash used in financing activities	(112,150)	(74,870)	(39,951)	(38,038)
Change in cash and cash equivalents	(14,582)	35,223	(36,600)	40,142
Cash at beginning of period	31,991	18,786	54,009	13,867
Cash at end of period	$ 17,409	$ 54,009	$ 17,409	$ 54,009

Supplemental information:								
Interest paid, net of amounts capitalized	$	23,785	$	20,682	$	96,438	$	89,267
Income taxes paid		5,521		101		50,445		39,716

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Operations and Basis of Presentation

Nature of Operations. Southwest Gas Corporation (the "Company") is composed of two segments: natural gas operations ("Southwest" or the "natural gas operations" segment) and construction services. Southwest is engaged in the business of purchasing, distributing, and transporting natural gas to customers in portions of Arizona, Nevada, and California. The public utility rates, practices, facilities, and service territories of Southwest are subject to regulatory oversight. The timing and amount of rate relief can materially impact results of operations. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year. Variability in weather from normal temperatures can materially impact results of operations. Natural gas purchases and the timing of related recoveries can materially impact liquidity. Northern Pipeline Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

Basis of Presentation. The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments, consisting of normal recurring items and estimates necessary for a fair presentation of the results for the interim periods, have been made. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the 2007 Annual Report to Shareholders, which is incorporated by reference into the 2007 Form 10-K.

Intercompany Transactions. NPL recognizes revenues generated from contracts with Southwest (see Note 3 below). Accounts receivable for these services were $5.5 million at March 31, 2008 and $6.1 million at December 31, 2007. The accounts receivable balance, revenues, and associated profits are included in the condensed consolidated financial statements of the Company and were not eliminated during consolidation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation."

Derivatives. In managing its natural gas supply portfolios, Southwest has historically entered into fixed and variable-price gas purchase contracts. In the first quarter of 2008, Southwest entered into two fixed-for-floating swap contracts ("Swaps") to supplement its fixed-price natural gas contracts. Swaps are derivatives and must be recorded at fair value in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended. Pursuant to regulatory deferral accounting treatment under SFAS No. 71, Southwest records the changes in fair value of the Swaps as a regulatory asset and/or liability. When the Swaps settle, Southwest will reverse any prior positions held and record the realized gains or losses as a cost of purchased gas under the related purchased gas adjustment ("PGA") mechanism in determining its deferred PGA balances. As such, neither changes in the fair value of the contracts nor settled amounts have a direct effect on earnings or other comprehensive income. The fair values of the Swaps are immaterial to the Company's balance sheet at March 31, 2008. Southwest does not utilize derivative financial instruments for speculative purposes, nor does it have trading operations.

Recently Effective Accounting Pronouncements. In January 2008, the Company adopted SFAS No. 157 “Fair Value Measurements.” The adoption had no material impact on the financial position or results of operations of the Company.

SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” was effective January 2008. The Company chose not to apply the fair value option to its financial assets and liabilities, therefore, SFAS No. 159 had no impact on the financial position or results of operations of the Company.

Recently Issued Accounting Pronouncements. In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 (revised 2007), "Business Combinations." SFAS No. 141 (revised 2007) provides guidelines for the presentation and measurement of assets and liabilities acquired in a business combination and requires the disclosure of information necessary to evaluate the nature and financial effect of a business combination. The provisions of SFAS No. 141 (revised 2007) are effective for the Company for acquisitions that occur on or after January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." SFAS No. 160 requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements. The provisions of SFAS No. 160 are effective for the Company beginning January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - An Amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities. The provisions of SFAS No. 161 are effective for the Company beginning January 1, 2009. The Company is evaluating what impact, if any, this standard might have on its financial position or results of operations.

Note 2 – Components of Net Periodic Benefit Cost

Southwest has a noncontributory qualified retirement plan with defined benefits covering substantially all employees and a separate unfunded supplemental retirement plan ("SERP") which is limited to officers. Southwest also provides postretirement benefits other than pensions ("PBOP") to its qualified retirees for health care, dental, and life insurance benefits.

	Qualified Retirement Plan Period Ended March 31,			
	Three Months		Twelve Months	
	2008	2007	2008	2007
(Thousands of dollars)				
Service cost	$ 4,027	$ 4,123	$ 16,395	$ 16,336
Interest cost	8,122	7,311	30,055	27,415
Expected return on plan assets	(8,678)	(8,258)	(33,450)	(31,214)
Amortization of prior service costs (credits)	(2)	(2)	(11)	(10)
Amortization of net loss	776	1,251	4,532	5,265
Net periodic benefit cost	$ 4,245	$ 4,425	$ 17,521	$ 17,792

	SERP Period Ended March 31,			
	Three Months		Twelve Months	

		2008		2007		2008		2007
(Thousands of dollars)								
Service cost	$	25	$	39	$	139	$	198
Interest cost		510		487		1,971		1,906
Amortization of prior service costs		-		-		-		6
Amortization of net loss		249		282		1,098		1,215
Net periodic benefit cost	$	784	$	808	$	3,208	$	3,325

	PBOP			
	Period Ended March 31,			
	Three Months		Twelve Months	
	2008	2007	2008	2007
(Thousands of dollars)				
Service cost	$ 183	$ 202	$ 792	$ 843
Interest cost	581	576	2,309	2,164
Expected return on plan assets	(535)	(536)	(2,143)	(1,899)
Amortization of transition obligation	217	217	867	867
Amortization of net loss	-	15	42	141
Net periodic benefit cost	$ 446	$ 474	$ 1,867	$ 2,116

Note 3 – Segment Information

The following tables list revenues from external customers, intersegment revenues, and segment net income (thousands of dollars):

	Natural Gas Operations	Construction Services	Total
Three months ended March 31, 2008			
Revenues from external customers	$ 741,300	$ 59,330	$ 800,630
Intersegment revenues	--	12,977	12,977
Total	$ 741,300	$ 72,307	$ 813,607
Segment net income (loss)	$ 49,333	$ (181)	$ 49,152
Three months ended March 31, 2007			
Revenues from external customers	$ 727,015	$ 49,210	$ 776,225
Intersegment revenues	--	17,491	17,491
Total	$ 727,015	$ 66,701	$ 793,716
Segment net income	$ 48,628	$ 1,136	$ 49,764
Twelve months ended March 31, 2008			
Revenues from external customers	$ 1,829,051	$ 276,057	$ 2,105,108
Intersegment revenues	--	66,871	66,871
Total	$ 1,829,051	$ 342,928	$ 2,171,979
Segment net income	$ 73,199	$ 9,435	$ 82,634
Twelve months ended March 31, 2007			
Revenues from external customers	$ 1,846,267	$ 216,467	$ 2,062,734
Intersegment revenues	--	78,799	78,799
Total	$ 1,846,267	$ 295,266	$ 2,141,533
Segment net income	$ 78,024	$ 11,420	$ 89,444

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Note 4 – Comprehensive Income

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2008	2007	2008	2007
	(Thousands of dollars)			
Net income	$ 49,152	$ 49,764	$ 82,634	$ 89,444
Additional minimum pension liability adjustment, net of $20.3 million tax expense		-		33,047
Net actuarial gain arising during period, less amortization of unamortized benefit plan cost, net of tax	202	244	774	244
Comprehensive income	$ 49,354	$ 50,008	$ 83,408	$ 122,735

Tax expense related to the net actuarial gain arising during the period, less amortization of unamortized benefit plan cost, for the three months and twelve months ended March 31, 2008 was $124,000 and $474,000, respectively. Tax expense related to the net actuarial gain arising during the period, less amortization of unamortized benefit plan cost for the three months and twelve months ended March 31, 2007 was $150,000. Total accumulated other comprehensive loss as of March 31, 2008 was $12.6 million, net of $7.8 million of tax, and was composed entirely of unamortized benefit plan costs.

Note 5 – Common Stock

During the three months ended March 31, 2008, the Company issued approximately 354,000 shares of common stock through the Dividend Reinvestment and Stock Purchase Plan (“DRSPP”), Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan. No shares have been issued through the Equity Shelf Program (“ESP”) in 2008.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Southwest Gas Corporation and subsidiaries (the "Company") consists of two business segments: natural gas operations ("Southwest" or the "natural gas operations" segment) and construction services.

Southwest is engaged in the business of purchasing, distributing, and transporting natural gas in portions of Arizona, Nevada, and California. Southwest is the largest distributor in Arizona, selling and transporting natural gas in most of central and southern Arizona, including the Phoenix and Tucson metropolitan areas. Southwest is also the largest distributor of natural gas in Nevada, serving the Las Vegas metropolitan area and northern Nevada. In addition, Southwest distributes and transports natural gas in portions of California, including the Lake Tahoe area and the high desert and mountain areas in San Bernardino County.

As of March 31, 2008, Southwest had 1,819,000 residential, commercial, industrial, and other natural gas customers, of which 984,000 customers were located in Arizona, 656,000 in Nevada, and 179,000 in California. Residential and commercial customers represented over 99 percent of the total customer base. During the twelve months ended March 31, 2008, 55 percent of operating margin was earned in Arizona, 35 percent in Nevada, and 10 percent in California. During this same period, Southwest earned 86 percent of operating margin from residential and small commercial customers, 5 percent from other sales customers, and 9 percent from transportation customers. These general patterns are expected to continue.

Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Operating margin is the measure of gas operating revenues less the net cost of gas sold. Management uses operating margin as a main benchmark in comparing operating results from period to period. The three principal factors affecting operating margin are general rate relief, weather, and customer growth. Of these three, weather is the primary reason for volatility in margin. Variances in temperatures from normal levels, especially in Arizona where rates remain leveraged, have a significant impact on the margin and associated net income of the Company.

Northern Pipeline Construction Co. ("NPL" or the "construction services" segment), a wholly owned subsidiary, is a full-service underground piping contractor that provides utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems. NPL operates in approximately 19 major markets nationwide. Construction activity is cyclical and can be significantly impacted by changes in general and local economic conditions, including the housing market, interest rates, employment levels, job growth, the equipment resale market, and local and federal tax rates.

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and the notes thereto, as well as the MD&A, included in the 2007 Annual Report to Shareholders, which is incorporated by reference into the 2007 Form 10-K.

Executive Summary

The items discussed in this Executive Summary are intended to provide an overview of the results of the Company's operations. As needed, certain items are covered in greater detail in later sections of management's discussion and analysis. As reflected in the table below, the natural gas operations segment accounted for an average of 88 percent of twelve-month-to-date consolidated net income over the past two years. As such, management's discussion and analysis is primarily focused on that segment. Natural gas sales are seasonal, peaking during the winter months; therefore, results of operations for interim periods are not necessarily indicative of the results for a full year.

Summary Operating Results

	Period Ended March 31,			
	Three Months		Twelve Months	
	2008	2007	2008	2007
	(Thousands of dollars, except per share amounts)			
Contribution to net income				
Natural gas operations	$ 49,333	$ 48,628	$ 73,199	$ 78,024
Construction services	(181)	1,136	9,435	11,420
Net income	$ 49,152	$ 49,764	$ 82,634	$ 89,444
Basic earnings per share				
Natural gas operations	$ 1.15	$ 1.16	$ 1.72	$ 1.89
Construction services	(0.01)	0.03	0.22	0.28
Consolidated	$ 1.14	$ 1.19	$ 1.94	$ 2.17
Natural Gas Operations				
Operating margin	$ 240,601	$ 232,804	$ 736,369	$ 715,565

The comparative improvement in gas segment results of operations during the first quarter of 2008 was due primarily to an increase in operating margin, partially offset by increases in gas segment operating expenses due to general cost increases, higher uncollectible expenses, incremental costs associated with customer additions, and lower other income due to negative returns on long-term investments. NPL's decline resulted primarily from less profitable work due to the general slow down in the housing industry and unfavorable weather conditions in the majority of its operating areas.

1st Quarter 2008 Overview

Consolidated operating results for the first quarter of 2008 reflect a modest decline compared to the first quarter of 2007 as improvement in the gas segment contribution was offset by a loss from construction services. Basic earnings per share declined $0.05 per share, $0.03 of which was due to an increase in average shares outstanding.

Gas operations highlights include the following:

- Operating margin increased $8 million from the prior period
- Weather accounted for $5 million of the operating margin increase, a result of cooler-than-normal temperatures
- Growth-related margin was $2 million as Southwest's customer growth level continues to moderate in the face of a downturn in the housing market
- Rate relief in California accounted for $1 million of the operating margin increase
- Southwest's project to expand its use of meter reading technology continues to progress and will be complete in 2008 ahead of schedule
- Operating expenses (operations and maintenance, depreciation and amortization, and taxes other than income taxes) increased two percent between periods as general cost increases were partially offset by labor efficiencies primarily

related to the meter reading project

- Arizona and California rate cases remain on track with hearings in each jurisdiction scheduled for this summer

Moderating Customer Growth. During the twelve months ended March 31, 2008, Southwest completed 51,900 first-time meter sets. These meter sets led to 20,000 additional active meters during the same time frame (9,000 in Arizona, 9,000 in Nevada, and 2,000 in California). The difference between first-time meter sets and incremental active meters is normally very small, reflecting the lag between the time a new house is constructed and ready for occupancy and the time it takes for a new customer to move in and begin taking service. The sizeable difference experienced indicates an unprecedented inventory of unoccupied homes. The risks/costs of having non-performing assets associated with new homes are mitigated by Southwest's practice of taking construction advances from builders. These advances are not returned until new homes are occupied. Once housing supply and demand come back into balance, Southwest expects to experience a correction in which customer additions exceed first-time meter sets. Although management cannot predict the timing of the turn around, it is likely to occur over an extended (multi-year) time horizon.

Meter Reading Project

In 2006, Southwest initiated a project to expand its use of electronic meter reading technology. The efficiencies to be gained from this project more than offset the investment in infrastructure. This technology eliminates the need to gain physical access to meters in order to obtain monthly meter readings, thereby reducing the time associated with each meter read while improving their accuracy. At March 31, 2008, approximately 1.6 million, or 88 percent, of Southwest customers' meters were being read electronically. The electronic meter reading conversion project is expected to be completed later this year.

Results of Construction Services Operations

NPL's first quarter 2008 operating loss of $181,000 primarily resulted from entering into new contracts with lower profit margins than in the past as a result of the general slow down in the housing market. This resulted in an increase in revenues but no corresponding increase in profits. Also, unfavorable weather conditions in the majority of NPL's operating areas and a reduction in the volume of work with existing customers adversely affected profits on blanket contracts.

Results of Natural Gas Operations

Quarterly Analysis

	Three Months Ended March 31,	
	2008	2007
	(Thousands of dollars)	
Gas operating revenues	$ 741,300	$ 727,015
Net cost of gas sold	500,699	494,211
Operating margin	240,601	232,804
Operations and maintenance expense	85,206	84,535
Depreciation and amortization	40,645	38,530
Taxes other than income taxes	10,194	10,467
Operating income	104,556	99,272
Other income (expense)	(1,526)	1,376
Net interest deductions	21,352	21,148
Net interest deductions on subordinated debentures	1,932	1,931
Income before income taxes	79,746	77,569
Income tax expense	30,413	28,941
Contribution to consolidated net income	$ 49,333	$ 48,628

Contribution from natural gas operations improved by $705,000 in the first quarter of 2008 compared to the same period a year ago. The improvement in contribution was principally due to increased operating margin, partially offset by higher operating expenses and lower other income due to negative returns on long-term investments.

Operating margin increased approximately $8 million, or three percent, in the first quarter of 2008 compared to the first quarter of 2007. Differences in heating demand, caused primarily by weather variations, accounted for $5 million of the increase in operating margin as overall temperatures in the first half of the current quarter were somewhat colder compared to the more normal levels experienced in the first quarter of 2007. Rate relief added $1 million and customer growth contributed $2 million toward the operating margin increase as the Company added 20,000 customers during the last twelve months, an increase of one percent.

Operations and maintenance expense increased $671,000, or one percent, primarily due to general cost increases, higher uncollectible expenses, and incremental operating costs associated with serving additional customers. Labor efficiencies, primarily from the electronic meter reading project, mitigated the increase in operations and maintenance expense.

Depreciation expense increased $2.1 million, or five percent, as a result of construction activities. Average gas plant in service for the current period increased $263 million, or seven percent, compared to the corresponding period a year ago. The increase reflects ongoing capital expenditures for the upgrade of existing operating facilities and the expansion of the system to accommodate continued customer growth.

Other income (expense) declined $2.9 million during the first quarter of 2008 compared to the same period in 2007, primarily due to negative returns ($2.1 million) on long-term investments and lower interest income on declining deferred PGA receivable balances.

Twelve-Month Analysis

	Twelve Months Ended March 31,	
	2008	2007
	(Thousands of dollars)	
Gas operating revenues	$ 1,829,051	$ 1,846,267
Net cost of gas sold	1,092,682	1,130,702
Operating margin	736,369	715,565
Operations and maintenance expense	331,879	326,951
Depreciation and amortization	159,205	149,631
Taxes other than income taxes	37,280	34,844
Operating income	208,005	204,139
Other income (expense)	1,948	8,473
Net interest deductions	86,640	84,760
Net interest deductions on subordinated debentures	7,728	7,724
Income before income taxes	115,585	120,128
Income tax expense	42,386	42,104
Contribution to consolidated net income	$ 73,199	$ 78,024

Contribution to consolidated net income from natural gas operations decreased $4.8 million in the current twelve-month period compared to the same period a year ago. The decline in contribution was primarily caused by higher operating costs and lower other income due to negative returns on long-term investments, partially offset by improved operating margin. The prior twelve-month results included approximately $0.07 per share related to a nonrecurring property tax benefit recognized in the second quarter of 2006.

Operating margin increased $21 million, or three percent, between periods. Customer growth contributed $10 million while rate changes accounted for $11 million of the increase, including $3 million in general rate relief and $8 million from implementing a California equalized margin tracker mechanism effective January 2007. Warmer-than-normal temperatures were experienced during both twelve-month periods (each with estimated negative impacts to operating margin of approximately $7 million), resulting in no incremental impact between the periods.

Operations and maintenance expense increased $4.9 million, or two percent, between periods reflecting general increases in labor and maintenance costs, higher uncollectible expenses, and incremental operating costs associated with serving additional customers, partially offset by labor efficiencies primarily from the ongoing electronic meter reading project.

Depreciation expense increased $9.6 million, or six percent, as a result of additional plant in service. Average gas plant in service for the current twelve-month period increased $284 million, or eight percent, compared to the corresponding period a year ago. This was attributable to the upgrade of existing operating facilities and the expansion of the system to accommodate customer growth.

General taxes increased $2.4 million primarily as a result of a nonrecurring property tax benefit recognized in the prior twelve-month period.

Other income (expense) declined $6.5 million between periods, primarily due to negative returns on long-term investments and lower interest income on declining deferred PGA balance receivables. In addition, other income for the prior-year period included approximately $1 million of interest income related to the property tax benefit.

Net financing costs increased $1.9 million between periods primarily due to interest expense associated with higher deferred PGA balance payables and higher rates on variable-rate debt.

Results of Construction Services

Contribution to consolidated net income for the three months and twelve months ended March 31, 2008 decreased $1.3 million, and $2 million, respectively, compared to the corresponding periods in 2007. While revenues increased as a result of several large replacement projects, operating results decreased in the first quarter of 2008 as compared to the same period in 2007 primarily due to lower profit margins on new construction work, unfavorable weather conditions, and a reduction in the volume of work with existing customers. The decrease in the current twelve-month period when compared to the same period in the prior year was due primarily to unfavorable weather conditions during the first quarter of 2008, and a reduction in the volume of new construction work resulting from the general slow down in the new housing market.

NPL's revenues and operating profits are influenced by weather, customer requirements, mix of work, local economic conditions, bidding results, and the equipment resale market. Generally, revenues and profits are lowest during the first quarter of the year due to unfavorable winter weather conditions. Operating results typically improve as more favorable weather conditions occur during the summer and fall months.

Rates and Regulatory Proceedings

Arizona General Rate Case. Southwest filed a general rate application with the Arizona Corporation Commission ("ACC") in the third quarter of 2007 requesting an increase in authorized operating revenues of $50.2 million. The request is due to increases in Southwest's operating costs (including inflationary increases to labor and benefits), investments in infrastructure, and the increased costs of capital. Southwest is requesting a return on rate base of 9.45 percent and a return on equity of 11.25 percent.

In addition, declining average residential usage has hindered Southwest's ability to earn the returns previously authorized by the ACC. A rate structure that would encourage energy efficiency and also shield Southwest and its customers from weather-related volatility has also been proposed. Included in the new rate design proposal are a revenue decoupling mechanism that would separate the recovery of fixed costs from volumetric usage and a weather normalization mechanism that would protect customers from higher bills in extreme cold weather and protect Southwest from cost under-recoveries in unseasonably warmer weather. Southwest requested an increase of $3.10 in the monthly residential basic service charge.

In April 2008, the two primary intervening parties in the case, the ACC Staff and the Residential Utility Consumer Office, filed testimony in the case. Both parties are separately advocating revenue increases which approximate 60 percent of the filed for amount, primarily through increases in basic service charges, although their positions on a number of matters differ. In addition, neither party supports all of Southwest's proposed rate design changes or the revenue decoupling/weather normalization mechanisms, both of which Southwest deems important components of its rate filing if greater margin stability (for both Southwest and its customers) is to be achieved. Hearings are scheduled to be held in June 2008, with a decision expected in the fourth quarter of 2008. Management cannot predict the amount or timing of rate relief ultimately granted, or whether the ACC will adopt any of the new rate design proposals. The last general rate increase received in Arizona was effective in March 2006.

California Attrition Filing. In October 2007, Southwest made its 2008 annual attrition filing with the California Public Utilities Commission ("CPUC") requesting a $2 million increase in operating margin. The increase in customer rates was approved and became effective January 2008.

California General Rate Cases. Southwest filed general rate applications with the CPUC in December 2007 requesting an increase in authorized operating revenues of $9.1 million in its southern California, northern California, and South Lake Tahoe rate jurisdictions with a proposed effective date of January 2009. The request is due to increases in Southwest's operating costs, investments in infrastructure, and the increased costs of capital. As part of the filing, Southwest is also requesting that the authorized levels of margin revert to being recognized on a seasonally adjusted basis rather than in equal monthly amounts throughout the year to better reflect the seasonal nature of Southwest's revenue stream. In addition to the margin balancing mechanism that has been in place since the last general rate case, this filing proposes a Post Test Year ("PTY") ratemaking mechanism for the period 2010 through 2013. The PTY mechanism is designed to recognize the effects of inflation, certain capital expenditures and customer growth between general rate cases. Hearings are scheduled to begin in August 2008.

PGA Filings

All of Southwest's state regulatory commissions have regulations that permit Southwest to track and recover its actual costs of purchased gas. Deferred energy provisions and purchased gas adjustment clauses are collectively referred to as "PGA" clauses. Timing differences between changes in PGA rates and the recovery/payment of PGA balances result in over and under-collections. At March 31, 2008, over-collections in Nevada and California resulted in a liability of $28.7 million and under-collections in Arizona resulted in an asset of $12.6 million on the Company's balance sheet. PGA filings are subject to audit by state regulatory commissions. PGA rate changes impact cash flows but have no direct impact on profit margin.

As of March 31, 2008, December 31, 2007, and March 31, 2007, Southwest had the following outstanding PGA balances receivable/(payable) (millions of dollars):

	March 31, 2008	December 31, 2007	March 31, 2007
Arizona	$ 12.6	$ 33.9	$ 71.7
Northern Nevada	(8.4)	(9.2)	(3.9)
Southern Nevada	(15.9)	(36.7)	(7.3)
California	(4.4)	(0.1)	1.6
	$ (16.1)	$ (12.1)	$ 62.1

Capital Resources and Liquidity

The capital requirements and resources of the Company generally are determined independently for the natural gas operations and construction services segments. Each business activity is generally responsible for securing its own financing sources. The capital requirements and resources of NPL are not material to the overall capital requirements and resources of the Company.

Gas Segment Construction Expenditures and Financing

Southwest continues to experience customer growth, albeit at a slower pace than in the recent past. This growth has required significant capital outlays for new transmission and distribution plant to keep up with consumer demand. During the twelve-month period ended March 31, 2008, construction expenditures for the natural gas operations segment were $292 million. Approximately 74 percent of these current-period expenditures represented new construction and the balance represented costs associated with routine replacement of existing transmission, distribution, and general plant. Cash flows from operating activities of Southwest (net of dividends paid) provided $242 million, or 83 percent, of the required capital resources pertaining to gas segment capital expenditures for the twelve months ended March 31, 2008. Operating cash flows during the current twelve-month period were positively impacted by earnings growth and recoveries of deferred PGA balances. The remainder was provided from external financing activities, existing credit facilities, and refundable construction advances. During the quarter and twelve months ended March 31, 2008, Southwest partially offset capital outlays by collecting approximately $7 million and $35 million, respectively, in net advances and contributions from customers and third-party contractors. At March 31, 2008, the balance of refundable construction advances was $91 million.

Southwest estimates construction expenditures during the three-year period ending December 31, 2010 will be approximately $850 million. During the three-year period, cash flows from operating activities (net of dividends) are estimated to fund over 80 percent of the gas operations' total construction expenditures. Southwest also has $25 million in long-term debt maturities over the three-year period. During this time frame, the Company expects to raise $70 million to $80 million from its various common stock programs. Any remaining cash requirements are expected to be provided by existing credit facilities and/or other external financing sources. The timing, types, and amounts of these additional external financings will be dependent on a number of factors, including conditions in the capital markets, timing and amounts of rate relief, growth levels in Southwest service areas, and earnings. These external sources may include the issuance of both debt and equity securities, bank and other short-term borrowings, customer contributions and advances, and other forms of financing.

During the three months ended March 31, 2008, the Company issued approximately 354,000 additional shares of common stock through the DRSPP, Employee Investment Plan, Management Incentive Plan, and Stock Incentive Plan, raising approximately $9 million. No shares have been issued through the ESP in 2008. The Company has $16.7 million of remaining capacity under the ESP.

In February 2008, the Economic Stimulus Act of 2008 ("Act") was signed into law. This Act provides a 50 percent bonus tax depreciation deduction for qualified property acquired or constructed and placed in service in 2008. Based on forecasted qualifying construction expenditures, Southwest estimates the bonus depreciation deduction will defer the payment of approximately $30 million of federal income taxes during 2008.

Dividend Increase

The Company has a common stock dividend policy which states that common stock dividends will be paid at a prudent level that is within the normal dividend payout range for its respective businesses, and that the dividend will be established at a level considered sustainable in order to minimize business risk and maintain a strong capital structure throughout all economic cycles. In February 2008, the Board of Directors increased the quarterly dividend payout from 21.5 cents to 22.5 cents per share, effective with the June 2008 payment.

Liquidity

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash to meet its cash requirements. Several general factors that could significantly affect liquidity in future years include inflation, growth in Southwest's service territories, changes in the ratemaking policies of regulatory commissions, interest rates, variability of natural gas prices, changes in income tax laws, and the level of Company earnings. Of these factors natural gas prices and related gas cost recovery rates have had the most significant impact on Company liquidity.

The rate schedules in Southwest's service territories contain PGA clauses which permit adjustments to rates as the cost of purchased gas changes. The PGA mechanism allows Southwest to request to change the gas cost component of the rates charged to its customers to reflect increases or decreases in the price expected to be paid to its suppliers and companies providing interstate pipeline transportation service.

On an interim basis, Southwest generally defers over- or under-collections of gas costs to PGA balancing accounts. In addition, Southwest uses this mechanism to either refund amounts over-collected or recoup amounts under-collected as compared to the price paid for natural gas during the period since the last PGA rate change went into effect. At March 31, 2008, the combined balances in PGA accounts totaled a net over-collection of $16.1 million versus an under-collection of $62.1 million at March 31, 2007. Southwest has the ability to draw on its $300 million credit facility to temporarily finance under-collected PGA balances. Southwest has designated $150 million of the facility as long-term debt and the remaining $150 million for working capital purposes. Southwest currently believes the $150 million designated for working capital purposes is adequate to meet liquidity needs. At March 31, 2008, $50 million was outstanding on the long-term portion and no borrowings were outstanding on the short-term portion of the credit facility.

The following table sets forth the ratios of earnings to fixed charges for the Company. Due to the seasonal nature of the Company's business, these ratios are computed on a twelve-month basis:

	For the Twelve Months Ended	
	March 31, 2008	December 31, 2007
Ratio of earnings to fixed charges	2.24	2.25

Earnings are defined as the sum of pretax income plus fixed charges. Fixed charges consist of all interest expense including capitalized interest, one-third of rent expense (which approximates the interest component of such expense), and amortized debt costs.

IDRB Supporting Credit Arrangements

The Company utilizes insurance policies to support approximately $400 million of its fixed and variable-rate Industrial Development Revenue Bonds ("IDRBs"). Of this amount, approximately $350 million is fixed to maturity and any change in bond rating of the bond insurers will not impose any additional costs on the Company. The remaining $50 million in IDRBs, which is the 2003 Series B, carries a AAA rating supported by insurance from Ambac Assurance Corporation ("Ambac"). The 2003 Series B are repriced weekly in an auction market. Credit rating agencies have been reassessing bond insurers for their ability to absorb potential losses from their subprime-related exposure to residential mortgage-backed securities and collateralized debt obligations. In March 2008, Moody's Investors Service and Standard & Poor's, the two largest ratings companies, affirmed Ambac's current AAA rating and assigned a "negative" outlook to the rating. The Company cannot predict whether Moody's and/or S&P will downgrade Ambac, thereby affecting the outstanding AAA rating of the 2003 Series B. Since mid-February 2008, the 2003 Series B weekly auctions have failed. As a result of the failed auctions, the Company has been required to price the 2003 Series B at a predetermined maximum auction-rate (currently 175 percent of the one-month LIBOR rate). The Company has the ability to convert the 2003 Series B to a fixed-rate mode or obtain incremental credit support. The Company will remain watchful as to the developments in the auction-rate market and the outcome of the rating agencies reviews, and take appropriate actions to minimize the related interest cost of the facility.

Forward-Looking Statements

This quarterly report contains statements which constitute "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995 ("Reform Act"). All statements other than statements of historical fact included or incorporated by reference in this quarterly report are forward-looking statements, including, without limitation, statements regarding the Company's plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions. The words "may," "will," "should," "could," "expect," "plan," "anticipate," " "estimate," "predict," "continue," and similar words and expressions are generally used and intended to identify forward-looking statements. For example, statements regarding customer growth, estimated future construction expenditures, forecasted operating cash flows, sufficiency of working capital, ability to raise funds and receive external financing, the amount of any such financing, and statements regarding estimated bonus depreciation deductions, the recovery of under-recovered PGA balances, and the timing and results of future rate hearings and approvals are forward-looking statements. All forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act.

A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the impact of weather variations on customer usage, customer growth rates, conditions in the housing market, our ability to recover costs through our PGA mechanisms, the effects of regulation/deregulation, the timing and amount of rate relief, changes in rate design, changes in gas procurement practices, changes in capital requirements and funding, the impact of conditions in the capital markets on financing costs, rating agency actions, changes in construction expenditures and financing, renewal of franchises, easements and rights-of-way, changes in operations and maintenance expenses, effects of accounting changes, future liability claims, changes in pipeline capacity for the transportation of gas and related costs, acquisitions and management's plans related thereto, competition, and our ability to raise capital in external financings. In addition, the Company can provide no assurance that its discussions regarding certain trends relating to its financing, operations and maintenance expenses will continue in future periods. For additional information on the risks associated with the Company's business, see Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

All forward-looking statements in this quarterly report are made as of the date hereof, based on information available to the Company as of the date hereof, and the Company assumes no obligation to update or revise any of its forward-looking statements even if experience or future changes show that the indicated results or events will not be realized. We caution you not to unduly rely on any forward-looking statement(s).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Item 7A. Quantitative and Qualitative Disclosures about Market Risk in the Company's 2007 Annual Report on Form 10-K filed with the SEC. No material changes have occurred related to the Company's disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES

The Company has established disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and benefits of controls must be considered relative to their costs. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the control. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Based on the most recent evaluation, as of March 31, 2008, management of the Company, including the Chief Executive Officer and Chief Financial Officer, believe the Company's disclosure controls and procedures are effective at attaining the level of reasonable assurance noted above.

There have been no changes in the Company's internal controls over financial reporting during the first quarter of 2008 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is named as a defendant in various legal proceedings. The ultimate dispositions of these proceedings are not presently determinable; however, it is the opinion of management that none of this litigation individually or in the aggregate will have a material adverse impact on the Company's financial position or results of operations.

ITEMS 1A. through 5. None.

ITEM 6. EXHIBITS

The following documents are filed as part of this report on Form 10-Q:

Exhibit 3(ii)	-	Amended Bylaws of Southwest Gas Corporation.
Exhibit 12.01	-	Computation of Ratios of Earnings to Fixed Charges.
Exhibit 31.01	-	Section 302 Certifications.
Exhibit 32.01	-	Section 906 Certifications.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Southwest Gas Corporation
(Registrant)

Date: May 9, 2008

/s/ Roy R. Centrella
Roy R. Centrella
Vice President/Controller and Chief Accounting Officer

ial instruments that are either offset in the statement of assets and liabilities or subject to an enforceable master netting arrangement or similar agreement. The ASU is effective for annual reporting periods beginning on or after January 1, 2013 (and interim periods within those annual periods). Reporting entities will be required to provide both net amounts (those that are offset) and gross information (as if amounts are not offset) in the notes to the financial statements for relevant assets and liabilities. Management is currently evaluating the implications of this ASU and its impact on the financial statements has not been determined.

12. Subsequent Events

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the Financial Statements were issued. Based on this evaluation, no disclosures or adjustments were required to the Financial Statements as of October 31, 2013.

On November 12, 2013 and December 10, 2013, the Fund announced that it will pay, on December 13, 2013 and January 17, 2014, a distribution of $0.07 per share to all shareholders of record as of November 29, 2013 and December 31, 2013, respectively.

On December 20, 2013 the Fund announced that it will pay a special distribution on January 17, 2014, of $0.09 per share to all shareholders of record as of December 31, 2013.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of

Aberdeen Global Income Fund, Inc.

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the Aberdeen Global Income Fund, Inc. (the Fund), as of October 31, 2013, and the related statement of operations and cash flows for the year then ended, and the statement of changes in net assets for each of the years in the two-year period then ended and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2013, by

correspondence with the custodian and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights of the Aberdeen Global Income Fund, Inc. present fairly, in all material respects, the financial position of the Fund as of October 31, 2013, and the results of its operations and cash flows for the year then ended, and its changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Philadelphia, Pennsylvania

December 23, 2013

Federal Tax Information: Dividends and Distributions (unaudited)

The following information is provided with respect to the distributions paid by the Aberdeen Global Income Fund, Inc. during the fiscal year ended October 31, 2013:

Common Shareholders

Payable Date	Foreign Taxes Paid *	Foreign Source Income**
11/16/12-10/18/13	.015%	99.99%

Expressed as a percentage of the distributions paid.

* The foreign taxes paid represent taxes incurred by the Fund on interest received from foreign sources. Foreign taxes paid may be included in taxable income with an offsetting deduction from gross income or may be taken as a credit for taxes paid to foreign governments. You should consult your tax advisor regarding the appropriate treatment of foreign taxes paid.

** Expressed as a percentage of ordinary distributions paid grossed-up for foreign taxes paid.

Supplemental Information (unaudited)

October 31, 2013

Board of Directors Consideration of Advisory and Sub-advisory Agreements

At an in-person meeting of the Board of Directors (the Board) of Aberdeen Global Income Fund, Inc. (FCO or the Fund) held on September 3, 2013, the Board, including a majority of the Directors who are not considered to be interested persons of the Fund (the Independent Directors) under the Investment Company Act of 1940, as amended (the 1940 Act), approved for an annual period the continuation of the Fund s management agreement with Aberdeen Asset Management Asia Limited (the Investment Manager), the investment advisory agreement among the Fund, the Investment Manager and Aberdeen Asset Management Limited (the Investment Adviser), and the investment sub-advisory agreement among the Fund, the Investment Manager and Aberdeen Asset Managers Limited (the Sub-Adviser). Collectively, the Investment Manager, the Investment Adviser and the Sub-Adviser are referred to herein as the Advisers and the aforementioned agreements with the Advisers are referred to as the Advisory Agreements. The Investment Adviser and the Sub-Adviser are affiliates of the Investment Manager.

In considering whether to approve the renewal of the Fund s Advisory Agreements, the Board reviews a variety of information provided by the Advisers relating to FCO, the Advisory Agreements and the Advisers, including comparative performance, fee and expense information and other information regarding the nature, extent and quality of services provided by the Advisers under their respective Advisory Agreements. The materials provided to the Board generally include, among other items: (i) information on the

investment performance of the Fund and the performance of peer groups of funds and the Fund s performance benchmarks; (ii) information on the Fund s advisory fees and other expenses, including information comparing the Fund s expenses to those of a peer group of funds and information about any applicable expense limitations and fee breakpoints ; (iii) information about the profitability of the Advisory Agreements to the Advisers; (iv) a report prepared by the Advisers in response to a request submitted by the Independent Directors independent legal counsel on behalf of such Directors; and (v) a memorandum from the Independent Directors independent legal counsel on the responsibilities of the Board in considering for approval the investment advisory and investment sub-advisory arrangements under the 1940 Act and Maryland law. The Board, including the Fund s Independent Directors, also considered other matters such as: (i) the Advisers financial results and financial condition; (ii) the Fund s investment objective and strategies; (iii) the Advisers investment personnel and operations; (iv) the procedures employed to determine the value of the Fund s assets; (v) the allocation of the Fund s brokerage, if any, including, if applicable, allocations to brokers affiliated with the Advisers and the use, if any, of soft commission dollars to pay Fund expenses and to pay for research and other similar services; (vi) the resources devoted to, and the record of compliance with, the Fund s investment policies and restrictions, policies on personal securities transactions and other compliance policies; and (vii) possible conflicts of interest. Throughout the process, the Board was afforded the opportunity to ask questions of and request additional materials from the Advisers.

Supplemental Information (unaudited) (continued)

October 31, 2013

In addition to the materials requested by the Directors in connection with their annual consideration of the continuation of the Advisory Agreements, the Directors received materials in advance of each regular quarterly meeting of the Board that provided information relating to the services provided by the Advisers.

The Independent Directors were advised by separate independent legal counsel throughout the process. The Independent Directors also consulted in executive sessions with counsel to the Independent Directors regarding consideration of the renewal of the Advisory Agreements. The Directors also considered the recommendation of the Board s Contract Review Committee, consisting solely of the Board s Independent Directors, that the Advisory Agreements be renewed. In considering whether to approve the continuation of the Advisory Agreements, the Board, including the Independent Directors, did not identify any single factor as determinative. Individual Directors may have evaluated the information presented differently from one another, giving different weights to various factors. Matters considered by the Board, including the Independent Directors, in connection with its approval of the continuation of the Advisory Agreements included the factors listed below.

The nature, extent and quality of the services provided to the Fund under the Advisory Agreements. The Directors considered the nature, extent and quality of the services provided by the Advisers to the Fund and the resources dedicated to the applicable Fund by the Advisers. The Board considered, among other things, the Advisers investment experience. The Board received information regarding the Advisers compliance with applicable laws and SEC and other regulatory inquiries or audits of the Fund and the Advisers. The Board also considered the background and experience of the Advisers senior management personnel and the qualifications, background and responsibilities of the portfolio managers primarily responsible for the day-to-day portfolio management services for the Fund. The Board also considered the allocation of responsibilities among the Advisers. The Board also considered that they receive information on a regular basis from the Fund s Chief Compliance Officer regarding the Advisers compliance policies and procedures. The Board also considered the Advisers risk management processes. The Board considered the Advisers brokerage policies and practices. Management reported to the Board on, among other things, its business plans and organizational changes. The Board also took into account their knowledge of management and the quality of the performance of management s duties through Board meetings, discussion and reports during the preceding year.

After reviewing these and related factors, the Board concluded that they were satisfied with the nature, extent and quality of

the services provided and supported the renewal of the applicable Advisory Agreements.

Investment performance of the Fund and the Advisers. The Board received and reviewed with management, among other performance data, information compiled by Strategic Insight Mutual Fund Research and Consulting, LLC (SI), an independent third-party provider of investment company data as to the Fund s total return, as compared to the funds in the Fund s Morningstar category (the Morningstar Group). The Board also received performance information from management that compared the Fund s return to comparable non-U.S. investment companies in its Lipper category.

The Board received and considered information for each of the last five fiscal years regarding the Fund s total return on a gross and net basis and relative to the Fund s benchmark, the Fund s share performance and premium/discount information and the impact of foreign currency movements on the Fund s performance. The Board also received and reviewed information as to the Fund s total return for each of the last five fiscal years as compared with the total returns of its respective Morningstar Group average, and other comparable Aberdeen-managed funds and segregated accounts. The Board considered management s discussion of the factors contributing to differences in performance, including differences in the investment strategies of each of these other funds and accounts. The Board also reviewed information as to the Fund s discount/premium ranking relative to its Morningstar Group. The Board took into account management s discussion of the Fund s performance. The Board concluded that overall performance results were satisfactory and supported continuance of the Advisory Agreements.

Specifically, the Board received and reviewed, among other performance data, information compiled by SI as to the Fund s total return, as compared to the funds in the Fund s Morningstar Group. The SI report indicated that the Fund s annualized net total return for the one-year period ended April 30, 2013 was above the return of the Fund s benchmark, and that the Fund s annualized net total returns for the three-, five- and ten-year periods ended April 30, 2013 were below those of the Fund s benchmark. The Board also received performance information from management that compared the Fund s return to comparable non-U.S. investment companies in its Lipper category.

The Board received and considered information for each of the last five fiscal years regarding the Fund s total return on a gross and net basis and relative to the Fund s benchmark, the Fund s

Supplemental Information (unaudited) (continued)

October 31, 2013

share performance and premium/discount information and the impact of foreign currency movements on the Fund s performance. The Board also received and reviewed information as to the Fund s total return for the last ten fiscal years as compared with the total returns of the Morningstar Group, and for the last five fiscal years as compared with other Aberdeen-managed clients with sufficiently similar investment portfolios to those of the Fund. The Board considered management s discussion of the factors contributing to differences in performance, including differences in the investment strategies of each of these other funds and accounts. The Board also reviewed information as to the Fund s discount/premium ranking relative to the Morningstar Group. The Board also noted the Fund s annualized net total return for various periods compared to its benchmark and took into account management s discussion of the Fund s performance.

Fees and expenses. The Board reviewed with management the effective annual management fee rate paid by the Fund to the Investment Manager for investment management services. Additionally, the Board received and considered information compiled at the request of the Fund by SI, comparing the Fund s effective annual management fee rate with the fees paid by a peer group consisting of other comparable closed-end funds (each such group, a Peer Group). The Board also took into account the management fee structure, including that management fees for the Fund were based on the Fund s total managed assets, whether attributable to common stock or borrowings, if any. The Board also considered that the compensation paid to the Investment Adviser and Sub-Adviser is paid by the Investment Manager, and, accordingly that the retention of the Investment Adviser and Sub-Adviser does not increase the fees or expenses otherwise incurred by the Fund s shareholders. The Board also considered information about the Investment Adviser s and Investment Sub-Adviser s fees, including the amount of the management fees retained by the Investment Manager after payment of the advisory and sub-advisory fees. The Board also received information from management regarding the fees charged by the Advisers to other U.S. and non-U.S. clients investing primarily in an asset class similar to that of the Fund. The Board considered the fee comparisons in light of the differences in resources and costs required to manage the different types of accounts.

The Board also took into account management s discussion of the Fund s expenses, including the factors that impacted the Fund s expenses.

Specifically, SI data indicated that: the Fund s effective management fee rate (computed based on average managed assets for the six months ended April 30, 2013, and which reflects both the advisory fee and the administration fee) was below the median and average fee rates, respectively, of its Peer Group, consisting of closed-end funds in the World Bond Morningstar category as compiled by SI; the Fund s annualized net total expense ratio based on average managed assets, which includes the Fund s assets attributable to its common stock plus borrowings for investment purposes, including leverage, for the six months ended April 30, 2013 was above the average and median expense ratios, respectively, of its Peer Group; and the Fund s annualized net total expense ratio based on average net assets, excluding the principal amount of borrowings, for the six months ended April 30, 2013 was above the average and median expense ratios of its Peer Group. The Board took into account the impact of leverage on Fund expenses, information from management regarding profitability and ancillary benefits and the fees charged by the Advisers to other clients with sufficiently similar investment portfolios and investment management services to those of the Fund.

Economies of Scale. The Board took into account management s discussion of the Fund s management fee structure. The Board determined that the management fee structure was reasonable and reflects economies of scale being shared between the Fund and the Advisers. This determination was based on various factors, including that the Fund s management fee schedule provides breakpoints at higher asset levels and how the Fund s management fee compares relative to its Peer Group at higher asset levels.

After reviewing these and related factors, the Board concluded that the advisory fee, and as applicable, sub-advisory fee structures were reasonable, and supported the renewal of the Advisory Agreements.

The Directors also considered other factors, which included but were not limited to the following:

the effect of any market and economic volatility on the performance, asset levels and expense ratios of the Fund.

whether the Fund has operated in accordance with its investment objectives and the Fund s record of compliance with its investment restrictions, and the compliance programs of the Advisers. The Directors also considered the compliance-related resources the Advisers and their affiliates were providing to the Fund.

Supplemental Information (unaudited) (concluded)

October 31, 2013

so-called fallout benefits to the Advisers and their affiliates, such as reputational and other indirect benefits. The Directors considered any possible conflicts of interest associated with these fallout and other benefits, and the reporting, disclosure and other processes in place to disclose and monitor such possible conflicts of interest.

* * *

Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent counsel, the Directors, including the Independent Directors, concluded that renewal of the Advisory Agreements would be in the best interest of the Fund and its shareholders. Accordingly, the Board, including the Board s Independent Directors voting separately, approved the Fund s Advisory Agreements for an additional one-year period.

Management of the Fund (unaudited)

The names of the Directors and Officers of the Fund, their addresses, years of birth, and principal occupations during the past five years are provided in the tables below. Directors that are deemed interested persons (as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended) of the Fund, the Investment Manager or Investment Adviser are included in the table below under the heading Interested Directors. Directors who are not interested persons, as described above, are referred to in the table below under the heading Independent Directors.

As of October 31, 2013

Name, Address and Year of Birth	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex* Overseen by Director	Other Directorships Held by Director
Interested Director					
Martin J. Gilbert** Aberdeen Asset Management PLC 10 Queen s Terrace Aberdeen, Scotland AB10 1YG Year of Birth: 1955	Class III Director; Vice President	Term as Director expires 2016; Director since 2001	Mr. Gilbert is a founding director and shareholder, and Chief Executive of Aberdeen Asset Management PLC, the holding company of the fund management group that was established in 1983. He was President of the Fund, of Aberdeen Asia-Pacific Income Fund, Inc. and Aberdeen Australia Equity Fund, Inc. from February 2004 to March 2008. He was Chairman of the Board of the Fund and of Aberdeen Asia-Pacific Income Fund, Inc. from 2001 to September 2005. He has been a Director of Aberdeen Asset Management Asia Limited, the Fund s Investment Manager, since 1991, a Director of Aberdeen Asset Management Limited, the Fund s Investment Adviser, since 2000, and a Director of Aberdeen Asset Managers (C.I.) Limited, the Fund s former investment manager, from 2000 to 2005. He has been a Director since 1995, and has been President since September 2006 of Aberdeen Asset Management Inc., the Fund s Administrator. Mr. Gilbert also serves as officer and/or director of various Aberdeen group subsidiary companies, Aberdeen-managed investment trusts and funds boards.	29	None
Independent Directors					
P. Gerald Malone 48 Barmouth Road London SW18 2DP United Kingdom	Chairman of the Board; Class I Director	Term expires 2014; Director since 2005	Mr. Malone is, by profession, a solicitor of some 38 years standing. He has served as a Minister of State in the United Kingdom Government. Mr. Malone currently serves as Independent Chairman of one London AIM-listed company (healthcare software) in addition to a privately owned pharmaceutical company. He is Chairman of the Board of Trustees of Aberdeen Funds and Chairman of the Board of Directors of Aberdeen Asia-Pacific Income Fund, Inc.	28	None

Year of Birth: 1950					
Neville J. Miles 142 Martins Lane Knockrow NSW 2479 Australia	Class III Director	Term expires 2016; Director since 1999	Mr. Miles is, and has been for a period in excess of ten years, Chairman of Ballyshaw Pty. Ltd. (share trading, real estate development and investment). He is Chairman of the Board of Aberdeen Australia Equity Fund, Inc. He also is a non-executive director of a number of Australian companies.	28	None
Year of Birth: 1946					
William J. Potter c/o Aberdeen Asset Management Asia Limited 21 Church Street #01-01 Capital Square Two Singapore 049480	Class II Director	Term expires 2015; Director since 1992	Mr. Potter has been Chairman of Meredith Financial Group (investment management) since 2004, a Director of Alexandria Bancorp (international banking and trustee services) since 1989, and a Director of National Foreign Trade Council (international trade) since 1983.	3	None
Year of Birth: 1948					

Management of the Fund (unaudited) (continued)

Name, Address and Year of Birth	Position(s) Held With the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Funds in Fund Complex* Overseen by Director	Other Directorships Held by Director
Peter D. Sacks c/o Aberdeen Asset Management Inc. 1735 Market St, 32nd Floor Philadelphia, PA 19103 Year of Birth: 1945	Class II Director	Term expires 2015; Director since 1992	Mr. Sacks has been Founding Partner of Toron Capital Markets, Inc. (investment management) since 1988. He is also a Director and Investment Advisory Committee member of several private and public sector funds in Canada.	28	None
John T. Sheehy B.V. Murray and Company 666 Goodwin Avenue Suite 300 Midland Park, NJ 07432 Year of Birth: 1942	Class I Director	Term expires 2014; Director since 1992	Mr. Sheehy has been a Senior Managing Director of B.V. Murray and Company (investment banking) since 2001 and Director of Macquarie AIR-serv Holding, Inc. (automotive services) from 2006 to June 2013. He was a Managing Member of Pristina Capital Partners, LLC (water purification technology development) from 2007 to 2011, a Director of Smarte Carte, Inc. (airport services) from 2007 until 2010, and Managing Member of The Value Group LLC (venture capital) from 1997 to 2009.	28	None

* Aberdeen Australia Equity Fund, Inc., Aberdeen Asia-Pacific Income Fund, Inc., Aberdeen Chile Fund, Inc., Aberdeen Israel Fund, Inc., Aberdeen Indonesia Fund, Inc., Aberdeen Latin America Equity Fund, Inc., Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc., the Aberdeen Funds, Aberdeen Singapore Fund, Inc., The Asia-Tigers Fund, Inc., The India Fund, Inc., and Aberdeen Greater China Fund Inc. have the same Investment Manager and Investment Adviser as the Fund, or an investment adviser that is affiliated with the Investment Manager and Investment Adviser and may thus be deemed to be part of the same Fund Complex as the Fund.

** Mr. Gilbert is deemed to be an interested person because of his affiliation with the Fund s Investment Manager. Mr. Gilbert serves as a Director of several Funds in the Fund Complex.

\- Further information about the Fund s Directors is available in the Fund s Statement of Additional Information, which can be obtained without charge by calling 1-866-839-5233.

Management of the Fund (unaudited) (continued)

Information Regarding Officers who are not Directors

Name, Address and Year of Birth	Position(s) Held With the Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past Five Years
Jeffrey Cotton** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1977	Chief Compliance Officer and Vice President, Compliance	Since 2011	Currently, Vice President and Head of Compliance Americas for Aberdeen Asset Management Inc. Mr. Cotton joined Aberdeen in 2010. Prior to joining Aberdeen, Mr. Cotton was a Senior Compliance Officer at Old Mutual Asset Management (2009-2010) supporting its affiliated investment advisers and mutual fund platform. Mr. Cotton was also a VP, Senior Compliance Manager at Bank of America/Columbia Management (2006-2009).
Kevin Daly Aberdeen Asset Managers Limited Bow Bells House, 1 Bread Street London United Kingdom Year of Birth: 1960	Vice President	Since 2008	Currently, Portfolio Manager on Aberdeen s Emerging Fixed Income Team (since 2007); previously, Credit Market Analyst for Standard & Poor s London (1997-2007).
Sharon Ferrari** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1977	Assistant Treasurer	Since 2009	Currently, Senior Fund Administration Manager for Aberdeen Asset Management Inc. Ms. Ferrari joined Aberdeen Asset Management Inc. as a Senior Fund Administrator in 2008. Prior to joining Aberdeen Asset Management Inc., Ms. Ferrari was an Accounting Analyst at Delaware Investments.
Alan Goodson**	Vice President	Since 2009	Currently, Head of Product-US, overseeing both Product Management and Product Development for Aberdeen s registered and unregistered investment companies in

Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1974			the US and Canada. Mr. Goodson is Vice President of Aberdeen Asset Management Inc. and joined Aberdeen in 2000.
Matthew Keener** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1976	Assistant Secretary	Since 2008	Currently, Senior Product Manager for Aberdeen Asset Management Inc. Mr. Keener joined Aberdeen Asset Management Inc. in 2006 as a Fund Administrator. Prior to joining Aberdeen Asset Management Inc., Mr. Keener was a Private Equity Supervisor with SEI Investments (2004-2006).
Megan Kennedy** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1974	Vice President and Secretary	Since 2008	Currently, Head of Product Management for Aberdeen Asset Management Inc. Ms. Kennedy joined Aberdeen Asset Management Inc. in 2005 as a Senior Fund Administrator. Ms. Kennedy was promoted to Assistant Treasurer Collective Funds/North American Mutual Funds in February 2008 and promoted to Treasurer Collective Funds/North American Mutual Funds in July 2008.
Adam McCabe** Aberdeen Asset Management Asia Limited 21 Church Street #01-01 Capital Square Two Singapore 049480 Year of Birth: 1979	Vice President	Since 2011	Currently, Senior Portfolio Manager/Deputy Head of Asian Fixed Income on the Aberdeen fixed income Asia Pacific desk, responsible for currency and interest rate strategies in Aberdeen s Asian fixed income portfolios. Mr. McCabe joined Aberdeen in 2009 following the acquisition of certain asset management businesses from Credit Suisse. Mr. McCabe worked for Credit Suisse since 2001, where he was an investment manager responsible for the development and implementation of its Asian currency and interest rate strategies.
Andrea Melia** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1969	Treasurer and Principal Accounting Officer	Since 2009	Currently, Head of Fund Administration-U.S. and Vice President for Aberdeen Asset Management Inc. Ms. Melia joined Aberdeen Asset Management Inc. in September 2009. Prior to joining Aberdeen, Ms. Melia was Director of fund administration and accounting oversight for Princeton Administrators LLC, a division of BlackRock Inc. and had worked with Princeton Administrators since 1992.

Anthony Michael** Aberdeen Asset Management Asia Limited 21 Church Street #01-01 Capital Square Two Singapore 049480 Year of Birth: 1963	Vice President	Since 2008	Currently, Head of Fixed Income Asia Pacific for Aberdeen Asset Management Asia Limited. Mr. Michael joined Aberdeen through the acquisition of Deutsche Asset Management s Australian Fixed Income business in June 2007. Previously, Mr. Michael was Director and Senior Portfolio Manager at Deutsche (2002-2007).

Management of the Fund (unaudited) (concluded)

Name, Address and Year of Birth	Position(s) Held With the Fund	Term of Office* and Length of Time Served	Principal Occupation(s) During Past Five Years
Jennifer Nichols** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1978	Vice President	Since 2008	Currently, Global Head of Legal and Vice President and Director for Aberdeen Asset Management Inc. Ms. Nichols joined Aberdeen Asset Management Inc. in October 2006. Prior to that, Ms. Nichols was an associate attorney in the Financial Services Group of Pepper Hamilton LLP (law firm) (2003-2006).
Patrick O Donnell Aberdeen Asset Managers Limited Bow Bells House, 1 Bread Street London United Kingdom Year of Birth: 1973	Vice President	Since 2013	Currently, Portfolio Manager for Aberdeen s Euro Fixed income team. Previously, analyst and Derivatives Trader (from 2005-2011).
Christian Pittard** Aberdeen Asset Managers Limited Bow Bells House, 1 Bread Street London United Kingdom Year of Birth: 1973	President	Since 2009	Currently, Group Head of Product Development for Aberdeen Asset Management PLC. Previously, Director and Vice President (2006-2008), Chief Executive Officer (from October 2005 to September 2006) of Aberdeen Asset Management Inc.
Victor Rodriguez** Aberdeen Asset Management Asia Limited	Vice President	Since 2009	Currently, Head of Fixed Income Australia for Aberdeen Asset Management Limited. Mr. Rodriguez joined Aberdeen Asset Management Limited in 2009 following the acquisition of Credit Suisse Asset Management (Australia) Limited. Mr. Rodriguez was formerly a member of the fixed income team at Credit Suisse Asset Management since 1995.

21 Church Street #01-01 Capital Square Two Singapore 049480 Year of Birth: 1971			
Lucia Sitar** Aberdeen Asset Management Inc. 1735 Market St. 32nd Floor Philadelphia, PA 19103 Year of Birth: 1971	Vice President	Since 2008	Currently, Managing U.S. Counsel for Aberdeen Asset Management Inc. Ms. Sitar joined Aberdeen Asset Management Inc. in July 2007 as U.S. Counsel. Prior to that, Ms. Sitar was an associate attorney in the Investment Management Group of Stradley Ronon Stevens & Young LLP (law firm) (2000-2007).

* Officers hold their positions with the Fund until a successor has been duly elected and qualifies. Officers are generally elected annually at the meeting of the Board of Directors next following the annual meeting of shareholders. The officers were last elected on March 6, 2013.

** Messrs. Cotton, Goodson, Keener, Pittard, McCabe, Michael and Rodriguez and Mses. Ferrari, Kennedy, Melia, Nichols and Sitar hold one or more officer positions with one or more of the following funds: Aberdeen Australia Equity Fund, Inc. and Aberdeen Asia-Pacific Income Fund, Inc., Aberdeen Funds, Aberdeen Indonesia Fund, Inc., Aberdeen Israel Fund, Inc., Aberdeen Latin America Equity Fund, Inc., Aberdeen Chile Fund, Inc., and Aberdeen Emerging Markets Smaller Company Opportunities Fund, Inc., Aberdeen Singapore Fund, Inc., The Asia-Tigers Fund, Inc., The India Fund, Inc., and Aberdeen Greater China Fund Inc. each of which may be deemed to be part of the same Fund Complex as the Fund.

Corporate Information

Directors

P. Gerald Malone, *Chairman*

Martin J. Gilbert

Neville J. Miles

William J. Potter

Peter D. Sacks

John T. Sheehy

Officers

Christian Pittard, *President*

Jeffrey Cotton, *Chief Compliance Officer and Vice President, Compliance*

Megan Kennedy, *Vice President and Secretary*

Andrea Melia, *Treasurer and Principal Accounting Officer*

Kevin Daly, *Vice President*

Martin J. Gilbert, *Vice President*

Alan Goodson, *Vice President*

Adam McCabe, *Vice President*

Anthony Michael, *Vice President*

Jennifer Nichols, *Vice President*

Patrick O Donnell, *Vice President*

Victor Rodriguez, *Vice President*

Lucia Sitar, *Vice President*

Sharon Ferrari, *Assistant Treasurer*

Matthew Keener, *Assistant Secretary*

Investment Manager

Aberdeen Asset Management Asia Limited

21 Church Street

#01-01 Capital Square Two

Singapore 049480

Investment Adviser

Aberdeen Asset Management Limited

Level 6, 201 Kent Street

Sydney, NSW 2000, Australia

Investment Sub-Adviser

Aberdeen Asset Managers Limited

Bow Bells House, 1 Bread Street

London United Kingdom

EC4M 9HH

Administrator

Aberdeen Asset Management Inc.

1735 Market Street, 32nd Floor

Philadelphia, PA 19103

Custodian

State Street Bank and Trust Company

One Heritage Drive

North Quincy, MA 02171

Transfer Agent

Computershare Trust Company, N.A.

P.O. BOX 30170

College Station, TX 77842-3170

Independent Registered Public Accounting Firm

KPMG LLP

1601 Market Street

Philadelphia, PA 19103

Legal Counsel

Willkie Farr & Gallagher LLP

787 Seventh Ave

New York, NY 10019

Investor Relations

Aberdeen Asset Management Inc.

1735 Market Street, 32nd Floor

Philadelphia, PA 19103

1-866-839-5233

InvestorRelations@aberdeen-asset.com

Aberdeen Asset Management Asia Limited

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may purchase, from time to time, shares of its common stock in the open market.

Shares of Aberdeen Global Income Fund, Inc. are traded on the NYSE MKT Equities Exchange under the symbol FCO . Information about the Fund s net asset value and market price is available at www.aberdeenfco.com.

This report, including the financial information herein, is transmitted to the shareholders of Aberdeen Global Income Fund, Inc. for their general information only. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person. Past performance is no guarantee of future returns.

Item 2 Code of Ethics.

As of October 31, 2013, the Registrant had adopted a Code of Ethics that applies to the Registrant s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions (the Code of Ethics). During the period covered by this report, there were no material changes to the Code of Ethics. During the period covered by this report, there were no waivers to the provisions of the Code of Ethics. A copy of the Code of Ethics has been filed as an exhibit to this Form N-CSR.

Item 3 Audit Committee Financial Expert.

The registrant's board of directors has determined that John T. Sheehy, a member of the board of directors audit committee, possesses the attributes, and has acquired such attributes through means, identified in instruction 2 of Item 3 to Form N-CSR to qualify as an audit committee financial expert, and has designated Mr. Sheehy as the audit committee s financial expert. Mr. Sheehy in an independent director pursuant to paragraph (a)(2) of Item 3 to Form N-CSR.

Item 4 Principal Accountant Fees and Services.

(a) (d) Below is a table reflecting the fee information requested in Items 4(a) through (d):

Fiscal Year Ended	(a) Audit Fees	(b) Audit-Related Fees	(c)[1] Tax Fees	(d) All Other Fees
October 31, 2013	$86,518	$27,500[2]	$6,700	$0
October 31, 2012	$80,200	$30,000[3]	$6,700	$0

1 The Tax Fees are for the completion of the Registrant s federal and state tax returns.
2 $27,500 related to public offering of shares
3 $30,000 related to public offering of shares

(e)(1) The Registrant s audit committee (the Committee) has adopted a Charter that provides that the Committee shall annually select, retain or terminate the Fund s independent auditor and, in connection therewith, to evaluate the terms of the engagement (including compensation of the independent auditor) and the qualifications and independence of the independent auditor, including whether the independent auditor provides any consulting, auditing or tax services to the Registrant s investment adviser or any sub-adviser, and to receive the independent auditor s specific representations as to their independence, delineating all relationships between the independent auditor and the Registrant, consistent with the PCAOB Rule 3526 or any other applicable auditing standard. The Committee Charter also provides that the Committee shall review in advance, and consider approval of, any and all proposals by Management or the Registrant s investment adviser that the Registrant, the investment adviser or their affiliated persons, employ the independent auditor to render permissible non-audit services to the Registrant and to consider whether such services are consistent with the independent auditor s independence.

(e)(2) None of the services described in each of paragraphs (b) through (d) of this Item involved a waiver of the pre-approval requirement by the Audit Committee pursuant to Rule 2-01 (c)(7)(i)(C) of Regulation S-X.

(f) Not applicable.

(g) Non-Audit Fees

For the fiscal year ended October 31, 2013 and October 31, 2012, respectively KPMG billed $877,862 and $1,023,077 for aggregate non-audit fees for services to the Registrant and to the Registrant s Investment Manager and Investment Adviser.

(h) The Registrant s Audit and Valuation Committee of the Board of Directors has considered whether the provision of non-audit services that were rendered to the Registrant s investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant s independence and has concluded that it is.

Item 5 Audit Committee of Listed Registrants.

(a) The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)).

For the fiscal year ended October 31, 2013, the audit committee members were:

Neville J. Miles

Peter D. Sacks

John T. Sheehy

(b) Not applicable.

Item 6 Investments.

(a) Included as part of the Report to Stockholders filed under Item 1 of this Form N-CSR.

(b) Not applicable.

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Pursuant to the Registrant's Proxy Voting Policy and Procedures, the Registrant has delegated responsibility for its proxy voting to its Investment Manager and Investment Adviser, provided that the Registrant's Board of Directors has the opportunity to periodically review the Investment Manager's and Investment Adviser's proxy voting policies and material amendments thereto. The Registrant's Board of Directors most recently ratified the proxy voting policies of the Investment Manager and Investment Adviser in March 2006.

The proxy voting policies of the Registrant are referenced in Exhibit A and Investment Manager and Investment Adviser are referenced in Exhibit B.

Item 8 Portfolio Managers of Closed-End Management Investment Companies.

(a)(1) The information in the table below is as of January 6, 2014

Individual & Position	Services Rendered	Past Business Experience
Anthony Michael Head of Fixed Income Asia Pacific	Responsible for management and investment performance of Aberdeen s Non-Japan Asia fixed income and capital market products.	Joined Aberdeen in 2007 following the acquisition of Deutsche Asset Management s Fixed Income and Equity businesses that year. He held the position of director/senior portfolio manager with Deutsche in Sydney for five years, responsible for the development and implementation of fixed income and FX strategies. He was also a member of the global strategy group, the global insurance group and was a member of the tactical asset allocation committee. Previously, he worked in similar roles with the Zurich Scudder Group, Perpetual Funds Management Australia and the ING Group.
Patrick O Donnell Portfolio Manager	Responsible for portfolio management	Joined Aberdeen in 2005 as a summer intern on the emerging market debt team whilst completing his thesis. Mr. O Donnell then joined the Graduate analyst program and has since held the roles of quantitative analyst and derivatives trader prior to becoming a portfolio manager in 2011. He is currently Portfolio Manager on the Euro Fixed Income Team
Kevin Daly Fixed Income EMEA Portfolio Manager	Currently a Portfolio Manager on the Emerging Markets Debt team.	Joined Aberdeen in April 2007 having spent the previous ten years at Standard & Poor s in London and Singapore. During that time he worked as a credit market analyst covering global emerging debt, and was head of origination for Global Sovereign Ratings. He was a regular participant on the Global Sovereign Ratings Committee, and was one of the initial members of the Emerging Market Council, formed in 2006 to advise senior management on

business and market developments in emerging markets.

Victor Rodriguez Head of Fixed Income Australia	Responsible for Australia fixed income.	Joined Aberdeen in 2009 following the acquisition of Credit Suisse Asset Management (Australia) Limited. Joined Credit Suisse Asset Management in 1995 as a member of the fixed income team and became a senior member of the team, specializing in credit strategies.
Adam McCabe Senior Portfolio Manager Aberdeen Fixed Income Asia Pacific	Responsible for currency and interest rate strategies in Aberdeen s Asian fixed income portfolios.	Joined Aberdeen in 2009 following the acquisition of certain asset management businesses from Credit Suisse. He worked for Credit Suisse since 2001, where he was an investment manager responsible for the development and implementation of its Asian currency and interest rate strategies.

(a)(2) The information in the table below is as of October 31, 2013

Name of Portfolio Manager	Type of Accounts	Total Number of Accounts Managed	Total Assets ($M)	Number of Accounts Managed for Which Advisory Fee is Based on Performance	Total Assets for Which Advisory Fee is Based on Performance ($M)
Anthony Michael	Registered Investment Companies	4	$ 2,887.43	0	$ 0
	Pooled Investment Vehicles	33	$ 3,975.01	0	$ 0
	Other Accounts	71	$ 12,893.80	1	$ 154.43
Patrick O Donnell	Registered Investment Companies	8	$ 655.62	0	$ 0
	Pooled Investment Vehicles	85	$ 15,759.26	0	$ 0
	Other Accounts	139	$ 26,089.29	2	$ 299.90
Kevin Daly	Registered Investment Companies	8	$ 655.62	0	$ 0
	Pooled Investment Vehicles	85	$ 15,759.26	0	$ 0
	Other Accounts	139	$ 26,089.29	2	$ 299.90
Victor Rodriguez	Registered Investment Companies	4	$ 2,887.43	0	$ 0

	Pooled Investment Vehicles	33	$	3,975.01	0	$	0
	Other Accounts	71	$	12,893.80	1	$	154.43
Adam McCabe	Registered Investment Companies	2	$	2,707.60	0	$	0
	Pooled Investment Vehicles	16	$	2,586.69	0	$	0
	Other Accounts	44	$	10,389.98	0	$	0

Total assets are as of October 31, 2013 and have been translated .to U.S. dollars at a rate of £1.00 = $1.61.

In accordance with legal requirements in the various jurisdictions in which they operate, and their own Conflicts of Interest policies, all subsidiaries of Aberdeen Asset Management PLC, (together Aberdeen), have in place arrangements to identify and manage Conflicts of Interest that may arise between them and their clients or between their different clients. Where Aberdeen does not consider that these arrangements are sufficient to manage a particular conflict, it will inform the relevant client(s) of the nature of the conflict so that the client(s) may decide how to proceed.

The portfolio managers management of other accounts , including (1) mutual funds; (2) other pooled investment vehicles; and (3) other accounts that may pay advisory fees that are based on account performance (performance-based fees), may give rise to potential conflicts of interest in connection with their management of a Fund s investments, on the one hand, and the investments of the other accounts, on the other. The other accounts may have the same investment objective as a Fund. Therefore, a potential conflict of interest may arise as a result of the identical investment objectives, whereby the portfolio manager could favor one account over another. However, Aberdeen believes that these risks are mitigated by the fact that: (i) accounts with like investment strategies managed by a particular portfolio manager are generally managed in a similar fashion, subject to exceptions to account for particular investment restrictions or policies applicable only to certain accounts, differences in cash flows and account sizes, and similar factors; and (ii) portfolio manager personal trading is monitored to avoid potential conflicts. In addition, Aberdeen has adopted trade allocation procedures that require equitable allocation of trade orders for a particular security among participating accounts.

In some cases, another account managed by the same portfolio manager may compensate Aberdeen based on the performance of the portfolio held by that account. The existence of such performance-based fees may create additional conflicts of interest for the portfolio manager in the allocation of management time, resources and investment opportunities.

Another potential conflict could include instances in which securities considered as investments for a Fund also may be appropriate for other investment accounts managed by Aberdeen or its affiliates. Whenever decisions are made to buy or sell securities by the Fund and one or more of the other accounts simultaneously, Aberdeen may aggregate the purchases and sales of the securities and will allocate the securities transactions in a manner that it believes to be equitable under the circumstances. As a result of the allocations, there may be instances where the Fund will not participate in a transaction that is allocated among other accounts. While these aggregation and allocation policies could have a detrimental effect on the price or amount of the securities available to a Fund from time to time, it is the opinion of Aberdeen that the benefits from the Aberdeen organization outweigh any disadvantage that may arise from exposure to simultaneous transactions. Aberdeen has adopted policies that are designed to eliminate or minimize conflicts of interest, although there is no guarantee that procedures adopted under such policies will detect each and every situation in which a conflict arises.

(a)(3)

Aberdeen Asset Management PLC s (Aberdeen) remuneration policies are designed to support its business strategy, as a leading international asset manager. The objective is to attract, retain and reward talented individuals for the delivery of sustained, superior returns for its clients and shareholders. Aberdeen operates in a highly competitive international employment market, and aims to maintain its strong track record of success in developing and retaining talent.

Aberdeen s policy is to recognize corporate and individual achievements each year through an appropriate annual bonus scheme. The aggregate value of awards in any year is dependent on the group s overall performance and profitability. Consideration is also given to the levels of bonuses paid in the market. Individual awards which are payable to all members of staff are determined by a rigorous assessment of achievement against defined objectives.

A long-term incentive plan for key staff and senior employees comprises of a mixture of cash and deferred shares in Aberdeen PLC or select Aberdeen funds (where applicable). Overall compensation packages are designed to be competitive relative to the investment management industry.

Base Salary

Aberdeen s policy is to pay a fair salary commensurate with the individual s role, responsibilities and experience, and having regard to the market rates being offered for similar roles in the asset management sector and other comparable companies. Any increase is to reflect inflation and is applied in a manner consistent with other Aberdeen employees; any other increases must be justified by reference to promotion or changes in responsibilities.

Annual Bonus

Aberdeen s policy is to recognize corporate and individual achievements each year through an appropriate annual bonus scheme. The Remuneration Committee of Aberdeen determines the key performance indicators that will be applied in considering the overall size of the bonus pool. In line with practice amongst other asset management companies, individual bonuses are not subject to an absolute cap. However, the aggregate size of the bonus pool is dependent on the group s overall performance and profitability. Consideration is also given to the levels of bonuses paid in the market. Individual awards are determined by a rigorous assessment of achievement against defined objectives, and are reviewed and approved by the Remuneration Committee.

Aberdeen has a deferral policy which is intended to assist in the retention of talent and to create additional alignment of executives interests with Aberdeen s sustained performance and, in respect of the deferral into funds, managed by Aberdeen, to align the interest of asset managers with our clients.

Staff performance is reviewed formally at least once a year. The review process evaluates the various aspects that the individual has contributed to the Aberdeen, and specifically, in the case of portfolio managers, to the relevant investment team. Discretionary bonuses are based on client service, asset growth and the performance of the respective portfolio manager. Overall participation in team meetings, generation of original research ideas and contribution to presenting the team externally are also evaluated.

In the calculation of a portfolio management team s bonus, the Aberdeen takes into consideration investment matters (which include the performance of funds, adherence to the company investment process, and quality of company meetings) as well as more subjective issues such as team participation and effectiveness at client presentations. To the extent performance is factored in, such performance is not judged against any specific benchmark and is evaluated over the period of a year - January to December. The pre- or after-tax performance of an individual account is not considered in the determination of a portfolio manager s discretionary bonus; rather the review process evaluates the overall performance of the team for all of the accounts they manage.

Portfolio manager performance on investment matters is judged over all of the accounts the portfolio manager contributes to and is documented in the appraisal process. A combination of the team s and individual s performance is considered and evaluated.

Although performance is not a substantial portion of a portfolio manager s compensation, the Aberdeen also recognizes that fund performance can often be driven by factors outside one s control, such as (irrational) markets, and as such pays attention to the effort by portfolio managers to ensure integrity of our core process by sticking to disciplines and processes set, regardless of momentum and hot themes. Short-terming is thus discouraged and trading-oriented managers will thus find it difficult to thrive in the Aberdeen environment. Additionally, if any of the aforementioned undue risks were to be taken by a portfolio manager, such trend would be identified via Aberdeen s dynamic compliance monitoring system.

(a)(4)

Individual	**Dollar Range of Equity Securities in the Registrant Beneficially Owned by the Portfolio Manager as of October 31, 2013**	
Anthony Michael	$	0
Patrick O Donnell	$	0
Kevin Daly	$	0
Victor Rodriguez	$	0
Adam McCabe	$	0

(b) Not applicable.

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs [1]
November 1 through November 30, 2012	0	0	0	923,793
December 1 through December 31, 2012	0	0	0	923,793
January 1 through January 31, 2013	0	0	0	927,508

February 1 through February 29, 2013	0	0	0	935,345
March 1 through March 31, 2013	0	0	0	940,415
April 1 through April 30, 2013	0	0	0	940,415
May 1 through May 31, 2013	0	0	0	940,415
June 1 through June 30, 2013	0	0	0	940,415
July 1 through July 31, 2013	0	0	0	940,415
August 1 through August 31, 2013	0	0	0	940,415
September 1 through September 30, 2013	0	0	0	940,415
October 1 through October 31, 2013	0	0	0	940,415
Total	0	0	0	940,415

1 The Registrant s stock repurchase program was announced on March 19, 2001 and further amended by the Registrant s Board of Directors on December 12, 2007. Under the terms of the current program, the Registrant is permitted to repurchase up to 10% of its outstanding shares of common stock, par value $.001 per share, on the open market during any 12 month period if and when the discount to net asset value is at least 8%.

Item 10 Submission of Matters to a Vote of Security Holders.

During the period ended October 31, 2013, there were no material changes to the policies by which stockholders may recommend nominees to the Fund s Board.

Item 11 Controls and Procedures.

(a) It is the conclusion of the Registrant's principal executive officer and principal financial officer that the effectiveness of the Registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the Registrant has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the Registrant has been accumulated and communicated to the Registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the Registrant's internal control over financial reporting that occurred during the Registrant s second fiscal half-year covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant s internal control over financial reporting.

Item 12 Exhibits.

(a)(1) Code of Ethics pursuant to Item 2(f) of this Form N-CSR.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended.

(a)(3) Not applicable.

(b) Certifications pursuant to Rule 30a-2(b) under the Investment Company Act of 1940, as amended.

(c) A copy of the Registrant s notices to stockholders, which accompanied distributions paid, pursuant to the Registrant s Managed Distribution Policy since the Registrant s last filed N-CSR, are filed herewith as Exhibits (c)(1), (c)(2), (c)(3), (c)(4), and (c)(5) as required by the terms of the Registrant s SEC exemptive order.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Aberdeen Global Income Fund, Inc.

By: */s/ Christian Pittard*
Christian Pittard,

Principal Executive Officer of

Aberdeen Global Income Fund, Inc.
Date: January 6, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: */s/ Christian Pittard*
Christian Pittard,

Principal Executive Officer of

Aberdeen Global Income Fund, Inc.
Date: January 6, 2014

By: */s/Andrea Melia*
Andrea Melia,

Principal Financial Officer of

Aberdeen Global Income Fund, Inc.
Date: January 6, 2014

EXHIBIT LIST

12(a)(1) Code of Ethics

A Registrant s Proxy Voting Policies

B Investment Manager s and Investment Adviser s Proxy Voting Policies

12(a)(2) Rule 30a-2(a) Certifications

12(b) Rule 30a-2(b) Certifications

12(c)(1), 12(c)(2), 12(c)(3), 12(c)(4), and 12(c)(5) Distribution notice to stockholders